



**NEW ZEALAND INSTITUTE FOR THE STUDY
OF COMPETITION AND REGULATION INC.**

PPP: Rooding and Pricing

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CORPORATE MEMBERS

Contact Energy Ltd

Fonterra Co-operative
Dairy Group Limited

Meridian Energy

Powerco

Telecom Corporation
of New Zealand Ltd

Transpower New Zealand Ltd

Vector Ltd

Victoria University of Wellington

Westpac Institutional Bank

Tolls and Economic Efficiency are Linked

- Efficiency must have demand response as well as supply response
- Pricing of (potentially) responsive demand does induce response: *and* a more efficient wiser use of resources
- Road Access/Congestion pricing for low enough transactions costs is efficient



Tolls and Economic Efficiency are Linked

AEI-Brookings Joint Center For Regulatory Studies

The Effect of Government Highway Spending on Road User's Congestion Costs, 2006

Evaluate the billions of dollars spent annually on US roads and the congestion costs for motorists, trucking and shipping and find \$1 expenditure => 11c reduction in congestion costs to road users only

Conclude: there is a strong case for road pricing



Tolls and PPI are Linked

- PPI (in excess of project-element tendering) is more likely to be economically desirable when the road should be a toll road as
 - PPI produces economic gains where there are incentives for, and possibilities of, gains
 - Roads typically have high upfront low ongoing maintenance costs:
 - What gains can PPI yield?
 - Maintenance
 - Demand management enhances incentive and potentiality
- PPI introduces different governance issues



UK: National Alliance Against Tolls

Raison d'être 1

- Tolls are a regressive tax, i.e. the charge doesn't vary according to income, and thus affects roads users on low incomes more than it does those who are better off.
- Tolls are inefficient - a very large proportion of what is paid in tolls goes into the cost of collecting it.



National Alliance Against Tolls: Raison d'être 2

- Tolls are unfair - in most countries, tolls are paid on top of other taxes on roads users - so drivers are paying twice.
- Tolls don't encourage fuel economy or distinguish between cars with different fuel consumption or using "greener" fuels. They lead to more wasted fuel as drivers detour and take longer routes to avoid tolls. It is better to charge for roads through taxes on fuel as this helps to conserve fuel supplies and reduce emissions by encouraging drivers to be more careful with their use of fuel and to car share etc.



National Alliance Against Tolls: Raison d'être 3

- Toll collection causes vehicles to slow down or stop. This is annoying for drivers. It also wastes more fuel,....
- Tolls are often privately run, and even where they are not there is a great temptation to cash in by selling the toll money making machine. Private operators and their bankers usually make large profits. It is cheaper to pay for roads through either taxes or Government borrowings (which are eventually repaid through taxes).





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